

Attachment 2 (b)

June 28, 2002

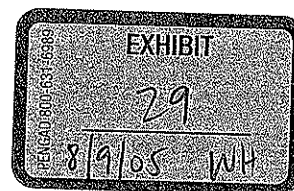
ARS-3246

(CERTIFIED COPY)

Aon Risk Services

*Natural Resources
Group*

This insurance contract is with an insurer not licensed to transact insurance in this State and is issued and delivered as a surplus lines coverage pursuant to the Texas insurance statutes. The State Board of Insurance does not audit the finances or review the solvency of the surplus lines insurer providing this coverage and this insurer is not a member of the property and casualty insurance guaranty association created under Article 21.28C, Insurance Code. Article 1.14-2, Insurance Code, requires payment of 4.85 percent tax on gross premium.



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Aon Risk Services

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IMPORTANT NOTICE

To obtain information or make a complaint:

You may contact Aon Risk Services of Texas, Inc. at:

2000 Bering Drive, Suite 900
Houston, Texas 77057-3790
Phone: 1-713-430-6000
Fax: 1-713-430-6590

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights, or complaints at:

1-800-252-3439

You may write the Texas Department of Insurance:

P.O. Box 149104
Austin, Texas 78714-9104
FAX # (512) 475-1771

PREMIUM OR CLAIM DISPUTES:

Should you have a dispute concerning your premium or about a claim, you should contact Aon Risk Services of Texas, Inc. first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY:

This notice is for information only and does not become a part or condition of the attached document.

June 28, 2002

AON

(CERTIFIED COPY)

ARS-3246

Aon Risk Services

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Confirmation of Coverage

Per your instructions and based on the information you provided, Aon Risk Services of Texas, Inc., 2000 Bering Dr., Suite 900, Houston, Texas 77057 has effected insurance as follows:

INSURED'S NAME AND ADDRESS:

Horizon Offshore Contractors, Inc.
2500 CityWest Boulevard, Suite 2200
Houston, TX 77042

PERIOD:

From: 1 May 2002, 12:01 a.m. Local Standard Time
To: 1 May 2003, 12:01 a.m. Local Standard Time

In-respect of Section 3:

Open cover to accept risks as may be declared during the period above subject to terms/conditions as within.

INTEREST/SUM INSURED:

Section 1

- A) Hull, machinery, equipment, appurtenances, gear, stingers, bury gear, cranes, derricks, remotely operated vessels etc., and everything connected therewith whether on board or not on board.
- B) Disbursements and/or Increased Value. Policy Proof of Interest, Full Interest Admitted, Without Benefit of Salvage.
- C) War etc. Risks Insurance including War Risks Protection & Indemnity Clauses (including crew)

Agreed Values/Insured Amounts as per schedules attached.

Section 2

- A) Onshore Real and/or Personal Property
- B) Miscellaneous Marine Equipment

Amounts as agreed at inception or as per wording (to be agreed) as per schedule attached.

Including Equipment and Property at risk to the Assured (whether rented, purchased, leased, hired or operated by the Assured and including property of others in the Care, Custody, Control of the Assured is responsible) subject to limit of liability of USD 2,000,000 any one item.

Subject to limit of liability USD 10,000,000 any one location per occurrence.

Aon Risk Services of Texas, Inc.

2000 Bering Drive, Suite 900 • Houston, Texas 77057-3790 • tel: (713) 430-6000 • fax: (713) 430-6590

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Section 3

Builders Risks (open cover) covering - platforms and/or pipelines and/or risers and/or other marine construction work and/or salvage work including land fabrication and procurement. As may be declared and accepted by Leading Underwriters.

Limit: up to USD 20,000,000 (100% of Estimated Final Contract Value) any one declaration both sections separately, plus amounts as per policy wording any one accident or occurrence.

TRADING:

Worldwide subject to American Institute Trading Warranties Cl.210 (July 1, 1972) or held covered at rates to be agreed by Leading Underwriters only and War etc. risks world-wide subject to London Market War Risk Trading Warranties including any subsequent amendments thereto during the term of this policy.

Tows in excess 750 nautical miles or outside of Gulf of Mexico held covered at rate, terms and conditions to be agreed. Warranted Tug, Tow, Towage and Stowage arrangements approved by agreed surveyor hereunder and Warranted all recommendations complied with.

INSURING CONDITIONS:

As attached Slip No. LE0280715

PREMIUM:

ORDER HEREON:

Section I - 100%
Section II - 100%
Section III - 63.5% of 100%

SECURITY:

See Attached

SEVERAL LIABILITY NOTICE (LSW 1001):

The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

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CONTRACT OF INSURANCE TO BE ISSUED:

Insurance described herein has been effected, against which a Contract of Insurance will be issued and in the event of any inconsistency, the terms, conditions and provisions of the Contract of Insurance to be issued will prevail. This Confirmation of Coverage will be terminated as of its effective date by the issuance of the Contract of Insurance and the premium and charges shown herein shall be credited thereto.

STATEMENT OF CONNECTED INTERESTS

Aon Corporation has, through its subsidiaries made minority investments in certain Lloyds syndicates, which may be participants in this placement. These investments are subject to strict Lloyds regulations prohibiting any influence upon the business conduct of such syndicates.

CANCELLATION:

This Confirmation of Coverage may be cancelled by the Insured by surrender thereof to Underwriters and/or their representatives, or by mailing to Underwriters and/or their representatives, written notice stating when thereafter such cancellation shall be effective. This Confirmation of Coverage may also be cancelled by the Insurer(s) or by Aon Risk Services of Texas, Inc. on their behalf by mailing to the Insured at the address shown herein or last known address, written notice stating when, in accordance with the number of days notice for cancellation to be provided in the contract of insurance to be issued, such cancellation shall be effective. The mailing of notice as aforesaid shall be sufficient proof of notice. The time of surrender or the effective date stated in the notice shall become the termination date of this Confirmation of Coverage. Delivery of such written notice by the Insured, the Insurer(s) or Aon Risk Services of Texas, Inc. shall be equivalent to mailing. Cancellation shall be in accordance with the terms and conditions of the Contract of Insurance to be issued.

INSURER'S HEREUNDER:

It is expressly understood and agreed by the Insured by accepting this Confirmation of Coverage, that Aon Risk Services of Texas, Inc. is not an Insurer hereunder and that Aon Risk Services of Texas, Inc. shall not be in any way or to any extent liable for any loss or claim whatsoever, but that the Insurers hereunder are those individual Insurance Companies and/or Underwriters, whose names appear herein.

For And On Behalf Of:

AON RISK SERVICES OF TEXAS, INC.

By: _____


Authorized Representative

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*Aon Risk Services**Natural Resources
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<u>UNDERWRITER</u>	<u>PERCENTAGE WRITTEN</u>
Underwriters at Lloyd's Syndicate No. 2020	15.0%
Underwriters at Lloyd's Syndicate No. 510	7.5%
Underwriters at Lloyd's Syndicate No. 2791	5.0%
Underwriters at Lloyd's Syndicate No. 457	10.0%
 Zurich Specialties London Ltd.	 7.5%
Great Lakes Reinsurance (UK) Ltd.	7.5%
 Underwriters at Lloyd's Syndicate No. 2323	 2.5%
Underwriters at Lloyd's Syndicate No. 2987	4.0%
 International Company of Hannover	 4.5%
 Underwriters at Lloyd's Syndicate No. 1183	 5.0%
Underwriters at Lloyd's Syndicate No. 382	1.5%
 GE Specialty (UK) Ltd. via JLT Risk Solutions Limited	 20.0%
 Continental Insurance Company via Marine Office of America/CNA	 5.0%
 American Employer's Insurance Company	 1.5%
Fireman's Fund Insurance Company	1.3%
Markel Insurance Company	1.7%
Royal Insurance Company	0.5%
via Gulf Coast Marine, Inc.	
	100.0%

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*Aon Risk Services**Natural Resources
Group*SECURITY:Section IC:

<u>UNDERWRITER</u>	<u>PERCENTAGE WRITTEN</u>
Underwriters at Lloyd's Syndicate No. 2020	20.0%
Underwriters at Lloyd's Syndicate No. 510	7.5%
Underwriters at Lloyd's Syndicate No. 2791 via JLT Risk Solutions Limited	5.0%
 Zurich Specialties London Ltd.	 7.5%
Underwriters at Lloyd's Syndicate No. 2323	2.5%
Underwriters at Lloyd's Syndicate No. 2987	4.0%
 International Company of Hannover	 4.5%
Underwriters at Lloyd's Syndicate No. 1183	12.5%
Underwriters at Lloyd's Syndicate No. 382	6.5%
 GE Specialty (UK) Ltd. via JLT Risk Solutions Limited	 20.0% <hr/> 100.0%
 Continental Insurance Company via Marine Office of America/CNA	 5.0%
 American Employer's Insurance Company	 1.5%
Fireman's Fund Insurance Company	1.3%
Markel Insurance Company	1.7%
Royal Insurance Company	0.5%
via Gulf Coast Marine, Inc.	<hr/> 100.0%

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*Aon Risk Services**Natural Resources
Group*SECURITY:Section IIA

<u>UNDERWRITER</u>	<u>PERCENTAGE WRITTEN</u>
Underwriters at Lloyd's Syndicate No. 2020	15.0%
Underwriters at Lloyd's Syndicate No. 510	7.5%
Underwriters at Lloyd's Syndicate No. 2791	5.0%
Underwriters at Lloyd's Syndicate No. 457	10.0%
 Zurich Specialties London Ltd.	 7.5%
Great Lakes Reinsurance (UK) Ltd.	7.5%
 Underwriters at Lloyd's Syndicate No. 2323	 2.5%
Underwriters at Lloyd's Syndicate No. 2987	4.0%
 International Company of Hannover	 4.5%
 Underwriters at Lloyd's Syndicate No. 1183	 5.0%
Underwriters at Lloyd's Syndicate No. 382	1.5%
Via JLT Risk Solutions Limited	
 Continental Insurance Company	 5.0%
via Marine Office of America/CNA (H1005468)	
 Birmingham Fire Insurance Company of PA	 25.0%
via Starr Tech (ST2607266)	
	<hr/>
	100.0%

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*Aon Risk Services**Natural Resources
Group***SECURITY:****Section IIB**

<u>UNDERWRITER</u>	<u>PERCENTAGE WRITTEN</u>
Underwriters at Lloyd's Syndicate No. 2020	15.0%
Underwriters at Lloyd's Syndicate No. 510	7.5%
Underwriters at Lloyd's Syndicate No. 2791	5.0%
Underwriters at Lloyd's Syndicate No. 457	10.0%
Zurich Specialties London Ltd.	7.5%
Great Lakes Reinsurance (UK) Ltd.	7.5%
Underwriters at Lloyd's Syndicate No. 2323	2.5%
Underwriters at Lloyd's Syndicate No. 2987	4.0%
International Company of Hannover	4.5%
Underwriters at Lloyd's Syndicate No. 1183	5.0%
Underwriters at Lloyd's Syndicate No. 382	1.5%
GE Specialty (UK) Ltd. via JLT Risk Solutions Limited	20.0%
Continental Insurance Company via Marine Office of America/Can	5.0%
American Employer's Insurance Company	1.5%
Fireman's Fund Insurance Company	1.3%
Markel Insurance Company	1.7%
Royal Insurance Company via Gulf Coast Marine, Inc.	0.5%
	100.0%

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*Aon Risk Services**Natural Resources
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<u>UNDERWRITER</u>	<u>PERCENTAGE WRITTEN</u>
Underwriters at Lloyd's Syndicate No. 2020	15.0%
Underwriters at Lloyd's Syndicate No. 510	7.5%
Underwriters at Lloyd's Syndicate No. 2791	5.0%
Underwriters at Lloyd's Syndicate No. 457	10.0%
 Zurich Specialties London Ltd.	 7.5%
Great Lakes Reinsurance (UK) Ltd.	7.5%
 Underwriters at Lloyd's Syndicate No. 2323	 2.5%
Underwriters at Lloyd's Syndicate No. 2987	4.0%
 International Company of Hannover via JLT Risk Solutions Limited	 4.5%
	<hr/> 63.5%

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LE0280715

Type: Package Policy.

Form: MAR91. (English Jurisdiction deleted).

Assured: Horizon Offshore Contractors, Inc. and/or as per Named Assured Clause attached and/or as may be agreed.
Address: 2500 City West Boulevard, Suite #2200, Houston, Texas
77042, U.S.A.

Vessels: As per schedules attached.
Including if required new and/or acquired and/or managed and/or chartered vessels, from time at risk to the Assured or declared hereto by the Assured, including increase in values/amounts, automatically held covered, subject to a maximum individual combined vessel value/amount not exceeding top value/sum insured hereon and further subject to terms, conditions and rates as comparable vessels insured or as may be agreed by Underwriters.

Period: 12 months at 00.01 a.m. 1 May, 2002 Local Standard Time and/or date to be agreed Leading Underwriters only.

In respect of Section 3:-
Open cover to accept construction and/or installation work as declared (whether directly exposed or not) for which the Assured is responsible and which commences during the period as above including all refurbishment, pre-fabrication, load out, transportation, installation and maintenance and until final completion and operational acceptance by Client and/or Customer and for a further discovery period not exceeding 12 months from such acceptance. However, in the event the Assured hereon does not renew beyond above dates for coverage under Sections 1, 2 and 3, notice of cancellation is deemed given by Underwriters in respect of all declarations (except for those for which construction is completed in which case maintenance or discovery period up to policy limit but not exceeding 60 days after expiry date) attaching to this section from the expiry of such notice.

Interest/Sum Insured: Section 1
A) Hull, machinery, equipment, appurtenances, gear, stingers, bury gear, cranes, derricks, remotely operated vessels, and everything connected therewith whether on board or not on board.

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- B) Disbursements and/or Increased Value. Policy Proof of Interest, Full Interest Admitted, Without Benefit of Salvage.
- C) War etc. Risks Insurance including War Risks Protection & Indemnity Clauses (including crew)

Agreed Values/Insured Amounts as per schedules attached.

Section 2

A) Onshore Real and/or Personal Property

B) Miscellaneous Marine Equipment.

Amounts/values as agreed at inception as per schedule attached.

Including Equipment and Property at risk to the Assured (whether rented, purchased, leased, hired or operated by the Assured and including property of others in the Care, Custody, Control of the Assured is responsible) subject to limit of liability of USD 2,000,000 any one item.

Subject to limit of liability USD 10,000,000 any one location per occurrence.

Section 3

Builders Risks (open cover) covering - platforms and/or pipelines and/or risers and/or other marine construction work and/or salvage work including land fabrication and procurement. As may be declared and accepted by Leading Underwriters.

Limit: up to USD 20,000,000 (100% of Estimated Final Contract Value) any one declaration both sections separately, plus amounts as per policy wording any one accident or occurrence.

Trading:

Worldwide subject to American Institute Trading Warranties Cl.210 (July 1, 1972) or held covered at rates to be agreed by Leading Underwriters only and War etc. risks world-wide subject to London Market War Risk Trading Warranties including any subsequent amendments thereto during the term of this policy.

Tows in excess 750 nautical miles or outside of Gulf of Mexico held covered at rate, terms and conditions to be agreed. Warranted Tug, Tow, Towage and Stowage arrangements approved by agreed surveyor hereunder and Warranted all recommendations complied with.

Conditions:

Section 1

A) Subject to American Institute Hull Clauses (June 2, 1977) Cl.A1B amended to all risks of physical loss or physical damage.

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Lines 23 and 24 deleted and replaced by:

Should the vessel at the expiration date of the policy be in distress, she shall, provided previous notice be given to Underwriters hereon, be held covered until arrival at safe port.

Line 63 words from "nor shall the vessel" through to word "waters" on line 64 and lines 158-184 are deleted.

Including Collision and Tower's Liability amended to include collision and/or contact with fixed and floating objects per lines 78-111 of the American Institute Tug Form (August 1, 1976) CIA230, with line 79 amended by adding words "or contact" after word "collision" for separate minimum limit of USD 1,000,000 each accident or occurrence or hull value whichever the greater.

In respect of Collision Liability arising from vessel's equipment (e.g. floating stingers), it is agreed that such equipment is deemed part of vessel to which it is currently or previously assigned.

Deductibles:

USD 500,000 each accident or occurrence including total loss.

Subject to Annual Aggregate deductible of USD 1,500,000 excluding total loss (Sections 1 & 2), to be reviewed by Leading Underwriters following a change in the fleet schedule hereon.

In respect of Assured's operations with Chevron USA deductibles to be shown as a maximum of USD 25,000 subject to Indemnity Clause as attached.

In consideration of the premium charged including cargo risks hereon on miscellaneous property including property separated from vessels, in transit, storage etc. subject to a separate limit of USD 5,000,000 any one accident or occurrence subject to Institute Cargo Clauses (A) 1/1/82 Cl.252, Institute Cargo Clauses (Air) 1/1/82 Cl.259 and Institute Strikes Clauses (Cargo) 1/1/82 Cl.256, with English Law and Practice deleted on all clauses.

Deductible USD 75,000 any one accident or occurrence.

Institute War Clauses (Cargo) 1/1/82 Cl.255 without deductible.

B) Increased Value Amount against Actual and/or Constructive and/or Compromised and/or Arranged Total Loss including General Average, Salvage, Salvage Charges, Sue & Labour and Running Down Clause subject to American Institute Increased Value and Excess Liabilities Clauses (November 3, 1977) CIA175 amended as Hull section hereon and to follow settlement thereof where applicable.

C) Including American Institute Hull War Risks and Strikes Clauses (December 1, 1977) CIA237, American Hull Insurance Syndicate Addendum to American Institute Hull War Risks and Strikes Clauses (December 1, 1977) (April 1, 1984) with waiting period in clause 3 amended to six (6) months and words "or deliberate act of person or persons" added after the word operations and further amended to include

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Nationalization 100% without waiting period and Deprivation in respect of units/locations scheduled at inception, otherwise to be agreed.

Notice period in respect of war and terrorism amended to 48 hours.

Including Terrorist Risks Wording as LPO 437 (4/82), Old Mines Clause, Blocking and Trapping Risks Conditions as LPO 444.

Subject to Onus of Proof and Confidentiality wording in respect of Confiscation, Nationalization, Expropriation and Deprivation only.

War, Confiscation, Nationalization, Expropriation and Deprivation exposures to be agreed at additional premium to be agreed Leading Underwriters.

American Institute S.R. & C.C. Endorsement (Hulls) September 8, 1959 CIA503.

Including War etc. Risks Protection and Indemnity up to hull agreed value or USD 1,000,000 whichever the greater also applicable to vessels covered under Assured's Club entry.

Missing Vessels Clause.

General Section 1 Conditions

Agree in respect of bareboat chartered material barges deductible USD 100,000 excluding Total or Constructive Total Loss for vessels valued less than USD 1,000,000 but USD 250,000 excluding Total or Constructive Total Loss all other vessels. Full annual premium if lost.

if including Protection and Indemnity as SP 23 (excluding crew and employees of the Assured). Including amendments thereto as required by contract in respect of work for Chevron USA Inc., subject to separate minimum limit USD 1,000,000 each accident or occurrence and deductible USD 100,000 any one occurrence.

Including Removal of Wreck/Debris Clause (including legal and contractual) but always excluding clean up and containment of seeping and polluting substances, for separate limit USD 1,000,000 any one accident or occurrence, deductible USD 100,000 any one accident or occurrence.

Cancelling Returns Only, notwithstanding C.R.O. basis, for units projected to be idle for periods greater than 90 days or units undergoing upgrade modification or cold stacked units, liberty is granted to the Assured to declare such risks on port risks/limited navigation basis returning daily pro rata not under repair or daily pro rata if under repair.

Reactivation Clause to be agreed.

General Average, Salvage, Salvage Charges and Sue & Labour up to Agreed value and such limit in addition - final limit to be agreed by Leading Underwriters (combined single limit over all 3 sections).

Warranted existing class maintained. However, it is noted that, where and as applicable due to the non-operational status and/or type and/or geographical limits of operation and navigation of a scheduled vessel, a United States Coast Guard Certificate of Inspection or a United States Coast Guard Letter of Compliance or a

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Load Line Certificate shall satisfy the requirements of any Classification requirement herein. It is further noted that any such Classification requirement shall not apply to any vessels where size and/or type and/or navigational operation do not require inspection and/or load line certification from the appropriate regulatory agency.

Including Institute Clauses for Builders Risks Clauses 1/6/88 Cl.351 (English Law and Practice clause deleted) in respect of refitting, repair of vessel(s) as applicable, but not to the extent of restricting coverage afforded herein, with option to suspend coverage hereunder for period(s) as may be agreed, subject automatic reattachment upon completion to be agreed, returning pro rata status at inception premium, if above repair work etc. covered elsewhere. No new buildings attaching hereunder or to be agreed Leading Underwriters, excluding latent defect.

Provision to move equipment from vessel to vessel and/or as required.

Assignment and/or Mortgagees and/or Loss Payable Clause, as agreed Leading Underwriters.

Section 2

A) Against all risks of direct physical loss or physical damage including fire and extended all risks coverage, to the property from any external cause per wording to be agreed leading Underwriter.

B) Against all risks of direct physical loss or physical damage including fire and extended all risks coverage, to the equipment from any external cause per wording to be agreed leading Underwriter

The subject matter insured under this section is covered whilst in use or otherwise on land, in air or afloat.

Both A and B)

Replacement Cost Basis, New for Old.

Including Removal of Debris but always excluding clean up and containment of seeping and polluting substances and for an additional USD 1,000,000 limit, subject to a deductible of USD 100,000 any one accident or occurrence.

Deductible 5% of value subject minimum USD 50,000 each accident or occurrence. Subject to Annual Aggregate Deductible as Section 1.

Property and/or equipment insured hereunder whilst stored, in transit or otherwise, also subject Institute Cargo Clauses (A) 1/1/82 Cl.252, Institute Cargo Clauses (Air) 1/1/82 Cl.259 and Institute Strikes Clauses (Cargo) 1/1/82 Cl.256 to extent not restricting coverage otherwise afforded herein, with English law and practice deleted on all clauses. Deductible as above.

Institute War Clauses (Cargo) 1/1/82 Cl.255 without deductible.

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Notice period in respect of war and terrorism amended to 48 hours.

Confiscation and Expropriation wording LPO 324 (8/71) including Nationalisation and Deprivation Clauses to be agreed.

Section 3

As per WELCAR2001 wording with following amendments:

Named Assured hereon covered Principal Assured.

Clause 9, Sue and Labour Clause (page 15): "25% of the scheduled value" amended to "25%" of the Full Contract Value.

Clause 11, Removal of Wreck, Wreckage and/or Debris (page 16): "25%" amended to USD 1,000,000 any one accident or occurrence.

Clause 12, Tests, Leak and/or Damage Search Costs (page 16): (Amount) amended to "10%" of the Full Contract Value or USD 1,000,000 whichever the greater.

Clause 13, Stand-by Charges (page 16): (Amount) amended to "10%" of the Full Contract Value or USD 1,000,000 whichever the greater.

Clause 17, Forwarding Charges (page 19): (Amount) amended to "10%" of the Full Contract Value or USD 1,000,000 whichever the greater.

Discovery 12 months.

Including Endorsement 1 - Defective Part Exclusion Buy-Back at rate as may be agreed each declaration.

Excluding faulty welds as per wording.

Agree provide Seepage and Pollution cover hereunder in respect of Assured's Builders Risks projects as required subject prompt advice to Underwriters and for limit up to USD 20,000,000 each occurrence per project as declared and agreed each declaration by leading Underwriters.

This section is to be primary to any other insurance purchased by the Assured in respect of projects as declared where full contract value is covered hereunder only.

Including Nationalisation and Deprivation and Terrorist Risk Wording LPO 437 (4/82) to be agreed subject to paragraph below.

In respect of War, Strikes & Political Risks – to be agreed.

Notwithstanding anything contained herein the coverages included above in respect of property insured hereunder is included in coverage hereunder until the completion and acceptance by the Assured's client of the project, including pipelines and associated equipment whilst being laid and work to/onboard any fixed or floating platform, other than in respect of property/equipment fixed onland, on a fixed structure

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or on the sea-bed for which coverage is held covered subject to the attached War Direct Physical Damage Wording and subject to the attached War Direct Physical Damage Wording LSW667 (Modified) as attached subject to an aggregate limit in respect of any one country (being the Full Contract Value of the project but always subject to an overall aggregate limit of USD 10,000,000 any one country) subject to advice to Underwriters prior to project commencement and subject to Additional Premium at rate to be agreed leading Underwriters only.

Notice period in respect of war and terrorism amended to 48 hours.

General Conditions (in respect of All Sections) – all to be agreed

Paramount Deductible Clause (applicable to Sections 1 and 2 only).

Preferred Attorneys, Adjusters, Surveyors schedules to be agreed.

Cross Liability Clause as required by contract.

Deliberate Damage Clause.

Institute Radioactive Contamination Exclusion Clause 1/10/90 Cl.356 dated 1st October 1990 including USA Endorsement dated 13th March 1991.

Other than Owners Limitation Clause deleted where required by written contract.

It is understood and agreed that where required by contract, bid or work order, Additional Assured and/or Waivers of Rights of Subrogation are automatically included hereunder, subject further to Notice Clauses as may be required by written contract only and that coverage provided hereunder shall be primary in respect of any coverage carried by said additional assureds where required by written contract.

Conflicting Conditions Clause to be agreed Leading Underwriter.

LSW 1001 Several Liability Notice.

Institute Service of Suit Clause (USA) 1/11/92 Cl.355.

Additional Vessels Clause.

Privilege to Charter Clause.

Including in addition Salvage, Salvage Charges, Sue and Labour and General Average payable in full irrespective of contributory value.

Seaworthiness Admitted.

Liberty to tow or be towed.

Unintentional Errors and Omissions in Reporting Clause.

Port of Refuge Expenses Clause.

Assignment and/or Mortgagees and/or Loss Payable Clause, as agreed Leading Underwriter.

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Permission for crew to effect repairs, with those costs directly related to insured losses to be included in any claim, subject to approval of underwriters adjuster/surveyor.

Including Protective Co-Insurance Clauses and Loss Payees as agreed Leading Underwriter.

Permission granted to engage in any legal trade including carriage of explosives which warranted carried in accordance with IMO Coastguard regulations.

Agree 2% allowance on Hull/Increased Value premiums in respect of survey fees on an actual incurred basis, subject invoices.

Direct or Reinsurance as agreed.

Oil Pollution Act Disclaimer Clause.

Subject U.S. Jurisdiction & Law and Practice.

Contracts (TP) Act clause to be agreed.

LSW 3000 (15 days)

Full wording to be agreed.

Subject full operational review by Global Maritime, with scope of review to be agreed within 90 days of attachment, and subject all recommendations complied with.

Premium:

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HORIZON OFFSHORE CONTRACTORS, INC.
SECTION 1 - HULL AND MACHINERY WORKSHEET

VESSEL	HULL USD	HULL RATE	HULL PREMIUM USD
AMERICAN HORIZON	8,000,000		
PHOENIX HORIZON	12,000,000		
CAJUN HORIZON	5,600,000		
GULF HORIZON	15,200,000		
CANYON HORIZON	19,200,000		
LONE STAR HORIZON	19,200,000		
PEARL HORIZON	6,400,000		
STEPHANITURM*	15,200,000		
*HORIZON MB100	2,400,000		
ATLANTIC HORIZON	17,000,000		
PACIFIC HORIZON	24,000,000		
PECOS HORIZON	16,000,000		
SEA HORIZON	20,000,000		
BRAZOS HORIZON	8,000,000		
	188,100,000		

* On long term charter – to attach with effect from date to be agreed Leading Underwriters.

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HORIZON OFFSHORE CONTRACTORS, INC.
SECTION 1 - DISBURSEMENTS WORKSHEET

VESSEL	INCREASED VALUE USD	IV RATE	IV PREMIUM USD
AMERICAN HORIZON	2,000,000		
PHOENIX HORIZON	3,000,000		
CAJUN HORIZON	1,400,000		
GULF HORIZON	3,800,000		
CANYON HORIZON	4,800,000		
LONE STAR HORIZON	4,800,000		
PEARL HORIZON	1,600,000		
STEPHANITURM*	3,800,000		
HORIZON MB100	600,000		
ATLANTIC HORIZON	4,125,000		
PACIFIC HORIZON	6,000,000		
PECOS HORIZON	4,000,000		
SEA HORIZON	5,000,000		
BRAZOS HORIZON	2,000,000		
	47,025,000		

*On long term charter – to attach with effect from date to be agreed Leading Underwriters.

June 28, 2002

ARS-3246

*Aon Risk Services**Natural Resources
Group*

HORIZON OFFSHORE CONTRACTORS, INC.
SECTION 1 – WAR/TERRORISM ETC. WORKSHEET

<u>Vessel</u>	<u>Agreed Value</u>	<u>War etc. Rate</u>
American Horizon	USD 10,000,000	Gulf of Mexico
Phoenix Horizon	USD 15,000,000	Gulf of Mexico
Cajun Horizon	USD 7,000,000	Gulf of Mexico
Gulf Horizon	USD 19,000,000	Ecuador
Canyon Horizon	USD 24,000,000	Gulf of Mexico
Lone Star Horizon	USD 24,000,000	Gulf of Mexico
Pearl Horizon	USD 8,000,000	Gulf of Mexico
Stephaniturn*	USD 19,000,000	North Sea
Horizon MB 100	USD 3,000,000	Gulf of Mexico
Atlantic Horizon	USD 21,125,000	Gulf of Mexico
Pacific Horizon	USD 30,000,000	Gulf of Mexico
Pecos Horizon	USD 20,000,000	Gulf of Mexico
Sea Horizon	USD 25,000,000	Indonesia
Brazos Horizon	USD 10,000,000	Gulf of Mexico

* On long term charter

June 28, 2002

ARS-3246

*Aon Risk Services**Natural Resources
Group*HORIZON OFFSHORE CONTRACTORS, INC.VESSEL SCHEDULE

	<u>Total Value</u>	<u>Year Built (Re)</u>	<u>GRT</u>	<u>SIZE</u>	<u>TYPE</u>
<u>Horizon Offshore</u>					
American Horizon	USD 10,000,000	1960/64/86	1,762	180 x 85	Lay/Bury Barge
Phoenix Horizon	USD 15,000,000	1977/82/96	4,988	300 x 90	Derrick/Lay Barge
Cajun Horizon	USD 7,000,000	1980	514	140 x 46	Lay Barge
Gulf Horizon	USD 19,000,000	1968	3,859	350 x 72	Lay Barge
Canyon Horizon	USD 24,000,000	1966	5,686	330 x 90	Bury Barge
Lone Star Horizon	USD 24,000,000	1961/73	3,774	320 x 90	Lay Barge
Pearl Horizon	USD 8,000,000	1973	1,063	184 x 45	Dive Support Vessel
Stephaniturm	USD 19,000,000	1978	1,954	230 x 45	Dive Support Vessel
Horizon MB100	USD 3,000,000	1982/83/96	5,950	328 x 100	Cargo Barge
Atlantic Horizon	USD 21,125,000	1982/98	6,103	420 x 98	Derrick Barge
Pacific Horizon	USD 30,000,000	1972/74/98	7,218	350 x 100	Derrick Barge
Pecos Horizon	USD 20,000,000	1970	2,688	256 x 72	Pipe Bury Barge
Sea Horizon	USD 25,000,000	1977	6,889	361 x 98	Derrick/Lay Barge
Brazos Horizon	<u>USD 10,000,000</u>		2,225	210 x 70	Derrick Barge
	USD 235,125,000				

June 28, 2002

ARS-3246

*Aon Risk Services**Natural Resources
Group*HORIZON OFFSHORE CONTRACTORS, INC.SECTION 2 - PROPERTY/EQUIPMENTTo Be Confirmed/AgreedSection A (Provisional)

2500 City West Boulevard, Houston, Texas	USD 20,000,000
Sabine Pass Facility, Texas	
To be advised, Ciudad del Carmen, Mexico	
Port Arthur Yard Facility, Port Arthur, Louisiana	
24 Festival Road, Victoria Island, Lagos, Nigeria	
Singapore/Jakarta, South East Asia	

Section B (Provisional)

Miscellaneous Equipment	USD 10,000,000
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TOTAL	USD 30,000,000
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War /Terrorism Schedule

USD 27,000,000

USD 3,000,000 (Indonesia)

IRO/AE 00322

June 28, 2002

ARS-3246

Aon Risk Services

*Natural Resources
Group*

HORIZON OFFSHORE CONTRACTORS, INC.

SECTION 3 – BUILDERS RISKS

Subject that all contracts with an Estimated Final Contract Value of greater than
USD 2,000,000 are to be declared hereon.

PIPELINE PROJECTS

Not exceeding 18" pipe and 500' of water:

Estimated Contract Value up to USD 5,000,000 2.25% on Final Contract Value.

Estimated Contract Value in excess of USD 5,000,000 3.00% on Final Contract Value.

Not exceeding 24" pipe and 500' of water:

Estimated Contract Value up to USD 5,000,000 2.70% on Final Contract Value.

Estimated Contract Value in excess of USD 5,000,000 3.60% on Final Contract Value.

Excess of 24" pipe and/or 500' of water: To Be Agreed.

NON PIPELINE PROJECTS 1.875% on Final Contract Value

DEDUCTIBLES (ACROSS ALL PROJECTS)

USD 2,500,000 any one accident or occurrence.

IRO/AE 00323

June 28, 2002

ARS-3246

Aon Risk Services

*Natural Resources
Group*

HORIZON OFFSHORE CONTRACTORS, INC.

NAMED ASSURED

Horizon Offshore, Inc.
Horizon Offshore Contractors, Inc.
Horizon Vessels, Inc.
Horizon Offshore Contractors Ltd
Horizon Offshore International Ltd
Horizon Offshore (Nigeria) Ltd
Horizon Group LDC
Elliot Associates, LP or Affiliates
Westgate International, L.P. and Affiliates
Horizon/Cal Dive Joint Venture (to be agreed)
ECH Offshore S.A. de R.L. de C.V.
HOC Offshore S.A. de R.L. de C.V.
HorizEn L.L.C.
Tiburón S.A. de R.L. de C.V.
Horizon Vessels International Ltd.
PT Horizon Marine Construction Indonesia

Inactive or Former Entities:

Horizon Marine International, Inc.
Horizon Offshore L.L.C.
HLS Offshore L.L.C. doing business as HLS International Companies
Highwood Associates, Inc.
HLS Offshore Inc.
Horizon Subsea Services, Inc.
DSND Horizon L.L.C.

or as their interests may appear and their affiliated, subsidiary and interrelated companies, and/or co-venturers and/or operators as charterer as may now, heretofore or hereafter exist and having an interest hereunder at the time of happening of any loss, as their respective rights and interests do appear and/or any executive officer, employee, director or stockholder thereof while acting within the scope and/or course of their duties as such and/or as expiring and/or as may be agreed.

June 28, 2002

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Aon Risk Services

*Natural Resources
Group*

CIT Group/Equipment Financing, Inc. as Mortgagees are named hereon as additional insureds and loss payees as their interests may appear, subject to Loss Payable Clause as expiring.

GMAC Business Credit, LLC its successors and/or assigns are added as loss payees hereon in respect of vessel "Sea Horizon".

General Electric Capital Corp. are added as loss payees hereon in respect of vessel "Pecos Horizon".

HORIZON OFFSHORE CONTRACTORS, INC.
CHEVRON INDEMNITY CLAUSE

It is hereby noted and agreed that in respect of Assured's operations with Chevron USA Inc. the deductible(s) are amended to USD 25,000 any one accident or occurrence subject Assured indemnifying Underwriters hereon at the time of settlement, for the difference between the above amount and the previously agreed deductibles hereon in the event of a claim.

June 28, 2002

ARS-3246

Aon Risk Services

*Natural Resources
Group*

SECTION 3 – Scope of Work

As follows each declaration or as may be agreed by Leading Underwriters:

The scope of Marine Warranty Survey work will require the Warranty Surveyor to assess the following items for a pipeline installation or to be agreed:

1. Transportation of Pipe

Review and approve and/or attend:

Barge and Tug suitability survey (sometime "waived", or nominally surveyed when the particular barge is known to the Warranty Surveyor)
Barge stability and bollard pull requirement
Barge ballast arrangement and longitudinal strength (waived when adequacy of barge strength is obvious).
Sea-fastening design
Pipe loading and unloading
Pipe barge sailaway

2. Pipelaying procedures

Review and approve:

Weather monitoring
Pipe coat specification
Mooring of barge
Pipe tension versus water depth for a specific diameter of pipe
Shut down based on limiting sea state

3. Pipe Laying

Attendance:

Warranty Surveyor mariners may attend a few of the following operations (depending on size and scope of job):

- a) Shore Pull
- b) Normal pipe lay
- c) Tie-in
- d) Trenching
- e) Pipeline crossing
- f) Other critical operations

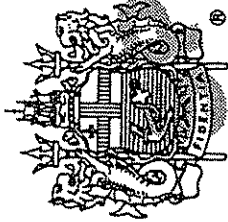
To be agreed James Miller (Zurich Specialties London Limited)

APPENDIX A—POLICIES

1. Lloyd's Marine Policy (MAR 91 Form)
2. Companies Marine Policy (MAR 91 Form)



Appendix A1



Lloyd's Marine Policy

We, The Underwriters, hereby agree, in consideration of the payment to us by or on behalf of the Assured of the premium specified in the Schedule, to insure against loss damage liability or expense in the proportions and manner hereinafter provided. Each Underwriting Member of a Syndicate whose definitive number and proportion is set out in the following Table shall be liable only for his own share of his respective Syndicate's proportion.

This insurance shall be subject to the exclusive jurisdiction of the English Courts, except as may be expressly provided herein to the contrary.

In Witness whereof the General Manager of Lloyd's Policy Signing Office has subscribed his Name on behalf of each of Us.

LLOYD'S POLICY SIGNING OFFICE
General Manager

FOR ENDORSEMENT BY
LLOYD'S POLICY SIGNING OFFICE

Appendix A—Policies

SCHEDULE

POLICY NUMBER

NAME OF ASSURED

VESSEL

VOYAGE OR PERIOD OF INSURANCE

SUBJECT MATTER INSURED

AGREED VALUE
(if any)

AMOUNT INSURED HEREUNDER

PREMIUM

CLAUSES, ENDORSEMENTS, SPECIAL CONDITIONS AND
WARRANTIES

Appendix A—Policies



Definitive numbers of the Syndicates and proportions

SPECIMEN

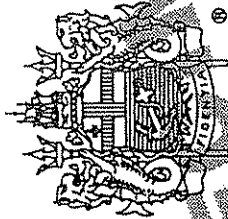
SPECIMEN

The List of Underwriting Members of Lloyd's mentioned in the above Table shows their respective Syndicates and Shares therein, and is deemed to be incorporated in and to form part of this Policy. It is available for inspection at Lloyd's Policy Signing Office by the Assured or his or their representatives and a true copy of the material parts of it certified by the General Manager of Lloyd's Policy Signing Office will be furnished to the Assured on application.

Appendix A—Policies

In all communications please quote the following reference	
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**Lloyd's
Marine
Policy**



The Assured is requested to read this Policy and, if it is incorrect, return it immediately for alteration to:

FOR CARGO INSURANCES ONLY

In the event of loss or damage which may result in a claim under this Insurance, immediate notice must be given to the Lloyd's Agent at the port or place where the loss or damage is discovered in order that he may examine the goods and issue a survey report.

Appendix A—Policies

The Institute of London Underwriters

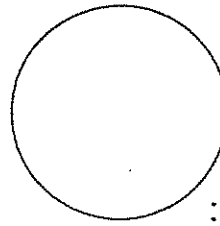


Companies Marine Policy

WE, THE COMPANIES, hereby agree, in consideration of the payment to us by or on behalf of the Assured of the premium specified in the Schedule, to insure against loss damage liability or expense in the proportions and manner hereinafter provided. Each Company shall be liable only for its own respective proportion.

This insurance shall be subject to the exclusive jurisdiction of the English Courts, except as may be expressly provided herein to the contrary.

IN WITNESS whereof the General Manager and Secretary of The Institute of London Underwriters has subscribed his name on behalf of each Company.



General Manager and Secretary
The Institute of London Underwriters

This Policy is not valid unless it bears the embossment of the Policy Department of The Institute of London Underwriters.

Appendix A—Policies

COMPANIES' PROPORTIONS

SPECIMEN

For use by the Policy Department

of

The Institute of London Underwriters

SPECIMEN

Appendix A—Policies

SCHEDULE

POLICY NUMBER

NAME OF ASSURED

VESSEL

VOYAGE OR PERIOD OF INSURANCE

SUBJECT MATTER INSURED

AGREED VALUE
(if any)

AMOUNT INSURED HEREUNDER

PREMIUM

CLAUSES, ENDORSEMENTS, SPECIAL CONDITIONS AND
WARRANTIES

SPECIMEN

SPECIMEN

SPECIMEN

THE ATTACHED CLAUSES AND ENDORSEMENTS FORM PART OF
THIS POLICY

Appendix A—Policies

In all communications please quote the following reference	
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SPECIMEN
The Institute of London Underwriters



SPECIMEN
Companies Marine Policy

This Policy is subscribed by Insurance Companies
Members of The Institute of London Underwriters
49, Leadenhall Street,
London, EC3A 2BE

American Institute Hull Clauses
(June 2, 1977)

7

To be attached to and form a part of Policy No. _____
of the _____

The terms and conditions of the following clauses are to be regarded as substituted for those of the policy form to which they are attached, the latter being hereby waived, except provisions required by law to be inserted in the Policy. All captions are inserted only for purposes of reference and shall not be used to interpret the clauses to which they apply.

ASSURED

This Policy insures _____
_____ hereinafter referred to as the Assured.

If claim is made under this Policy by anyone other than the Owner of the Vessel, such person shall not be entitled to recover to a greater extent than would the Owner, had claim been made by the Owner as an Assured named in this Policy.

Underwriters waive any right of subrogation against affiliated, subsidiary or interrelated companies of the Assured, provided that such waiver shall not apply in the event of a collision between the Vessel and any vessel owned, demise chartered or otherwise controlled by any of the aforesaid companies, or with respect to any loss, damage or expense against which such companies are insured.

LOSS PAYEE

Loss, if any, payable to _____
_____ or order.

Provided, however, Underwriters shall pay claims to others as set forth in the Collision Liability clause and may make direct payment to persons providing security for the release of the Vessel in Salvage cases.

VESSEL

The Subject Matter of this insurance is the Vessel called the _____
or by whatsoever name or names the said Vessel is or shall be called, which for purposes of this insurance shall consist of and be limited to her hull, launches, lifeboats, rafts, furniture, bunkers, stores, supplies, tackle, fittings, equipment, apparatus, machinery, boilers, refrigerating machinery, insulation, motor generators and other electrical machinery.

In the event any equipment or apparatus not owned by the Assured is installed for use on board the Vessel and the Assured has assumed responsibility therefore, it shall also be considered part of the Subject Matter and the aggregate value thereof shall be included in the Agreed Value.

Notwithstanding the foregoing, cargo containers, barges and lighters shall not be considered a part of the Subject Matter of this insurance.

DURATION OF RISK

From the _____ day of _____, 19____, _____ time
to the _____ day of _____, 19____, _____ time.

Should the Vessel at the expiration of this Policy be at sea, or in distress, or at a port of refuge or of call, she shall, provided previous notice be given to the Underwriters, be held covered at a pro rata monthly premium to her port of destination.

In the event of payment by the Underwriters for Total Loss of the Vessel this Policy shall thereupon automatically terminate.

AGREED VALUE

The Vessel, for so much as concerns the Assured, by agreement between the Assured and the Underwriters in this Policy, is and shall be valued at _____ Dollars.

AMOUNT INSURED HEREUNDER

_____ Dollars. 28

DEDUCTIBLE

Notwithstanding anything in this Policy to the contrary, there shall be deducted from the aggregate of all claims (including claims under the Sue and Labor clause and claims under the Collision Liability clause) arising out of each separate accident, the sum of \$_____, unless the accident results in a Total Loss of the Vessel in which case this clause shall not apply. A recovery from other interests, however, shall not operate to exclude claims under this Policy provided the aggregate of such claims arising out of one separate accident if unreduced by such recovery exceeds that sum. For the purpose of this clause each accident shall be treated separately, but it is agreed that (a) a sequence of damages arising from the same accident shall be treated as due to that accident and (b) all heavy weather damage, or damage caused by contact with floating ice, which occurs during a single sea passage between two successive ports shall be treated as though due to one accident.

PREMIUM

The Underwriters to be paid in consideration of this insurance _____ Dollars being at the annual rate of _____ per cent, which premium shall be due on attachment. If the Vessel is insured under this Policy for a period of less than one year at pro rata of the annual rate, full annual premium shall be considered earned and immediately due and payable in the event of Total Loss of the Vessel.

RETURNS OF PREMIUM

Premium returnable as follows:

- Pro rata daily net in the event of termination under the Change of Ownership clause;
- Pro rata monthly net for each uncommenced month if it be mutually agreed to cancel this Policy;
- For each period of 30 consecutive days the Vessel may be laid up in port for account of the Assured,
- _____ cents per cent. net not under repair, or
- _____ cents per cent. net under repair;

provided always that:

- (a) a Total Loss of the Vessel has not occurred during the currency of this Policy;
- (b) in no case shall a return for lay-up be allowed when the Vessel is lying in exposed or unprotected waters or in any location not approved by the Underwriters;
- (c) in the event of any amendment of the annual rate, the above rates of return shall be adjusted accordingly;
- (d) in no case shall a return be allowed when the Vessel is used as a storage ship or for lighting purposes.

If the Vessel is laid up for a period of 30 consecutive days, a part only of which attaches under this Policy, the Underwriters shall pay such proportion of the return due in respect of a full period of 30 days as the number of days attaching hereto bears to 30. Should the lay-up period exceed 30 consecutive days, the Assured shall have the option to elect the period of 30 consecutive days for which a return is recoverable.

NON-PAYMENT OF PREMIUM

In event of non-payment of premium 30 days after attachment, or of any additional premium when due, this Policy may be cancelled by the Underwriters upon 10 days written or telegraphic notice sent to the Assured at his last known address or in care of the broker who negotiated this Policy. Such proportion of the premium, however, as shall have been earned up to the time of cancellation shall be payable. In the event of Total Loss of the Vessel occurring prior to any cancellation or termination of this Policy full annual premium shall be considered earned.

ADVENTURE

Beginning the adventure upon the Vessel, as above, and so shall continue and endure during the period aforesaid, as employment may offer, in port or at sea, in docks and graving docks, and on ways, gridirons and pontoons, at all times, in all places, and on all occasions, services and trades; with leave to sail or navigate with or without pilots, to go on trial trips and to assist and tow vessels or craft in distress, but the Vessel may not be towed, except as is customary or when in need of assistance, nor shall the Vessel render assistance or undertake towage or salvage services under contract previously arranged by the Assured, the Owners, the Managers or the Charterers of the Vessel, nor shall the Vessel, in the course of trading operations, engage in loading or discharging cargo at sea, from or into another vessel other than a barge, lighter or similar craft used principally in harbors or inland waters. The phrase "engage in loading or discharging cargo at sea" shall include while approaching, leaving or alongside, or while another vessel is approaching, leaving or alongside the Vessel.

The Vessel is held covered in case of any breach of conditions as to cargo, trade, locality, towage or salvage activities, or date of sailing, or loading or discharging cargo at sea, provided (a) notice is given to the Underwriters immediately following receipt of knowledge thereof by the Assured, and (b) any amended terms of cover and any additional premium required by the Underwriters are agreed to by the Assured.

PERILS

Touching the Adventures and Perils which the Underwriters are contented to bear and take upon themselves, they are of the Seas, Men-of-War, Fire, Lightning, Earthquake, Enemies, Pirates, Rovers, Assailing Thieves, Jettisons, Letters of Mart and Counter-Mart, Surprisals, Takings at Sea, Arrests, Restraints and Detainments of all Kings, Princes and Peoples, of what nation, condition or quality soever, Barratry of the Master and Mariners and of all other like Perils, Losses and Misfortunes that have or shall come to the Hurt, Detriment or Damage of the Vessel, or any part thereof, excepting, however, such of the foregoing perils as may be excluded by provisions elsewhere in the Policy or by endorsement thereon.

ADDITIONAL PERILS (INCHAMAREE)

Subject to the conditions of this Policy, this insurance also covers loss of or damage to the Vessel directly caused by the following:

- Accidents in loading, discharging or handling cargo, or in bunkering;
- Accidents in going on or off, or while on drydocks, graving docks, ways, gridirons or pontoons;
- Explosions on shipboard or elsewhere;
- Breakdown of motor generators or other electrical machinery and electrical connections thereto, bursting of boilers, breakage of shafts, or any latent defect in the machinery or hull, (excluding the cost and expense of replacing or repairing the defective part);
- Breakdown of or accidents to nuclear installations or reactors not on board the insured Vessel;
- Contact with aircraft, rockets or similar missiles, or with any land conveyance;
- Negligence of Charterers and/or Repairers, provided such Charterers and/or Repairers are not an Assured hereunder;
- Negligence of Masters, Officers, Crew or Pilots;

provided such loss or damage has not resulted from want of due diligence by the Assured, the Owners or Managers of the Vessel, or any of them. Masters, Officers, Crew or Pilots are not to be considered Owners within the meaning of this clause should they hold shares in the Vessel.

DELIBERATE DAMAGE (POLLUTION HAZARD)

Subject to the conditions of this Policy, this insurance also covers loss of or damage to the Vessel directly caused by governmental authorities acting for the public welfare to prevent or mitigate a pollution hazard, or threat thereof, resulting directly from damage to the Vessel for which the Underwriters are liable under this Policy, provided such act of governmental authorities has not resulted from want of due diligence by the Assured, the Owners, or Managers of the Vessel or any of them to prevent or mitigate such hazard or threat. Masters, Officers, Crew or Pilots are not to be considered Owners within the meaning of this clause should they hold shares in the Vessel.

CLAIMS (GENERAL PROVISIONS)

In the event of any accident or occurrence which could give rise to a claim under this Policy, prompt notice thereof shall be given to the Underwriters, and:

- (a) where practicable, the Underwriters shall be advised prior to survey, so that they may appoint their own surveyor, if they so desire;
- (b) the Underwriters shall be entitled to decide where the Vessel shall proceed for docking and/or repair (allowance to be made to the Assured for the actual additional expense of the voyage arising from compliance with the Underwriters' requirement);
- (c) the Underwriters shall have the right of veto in connection with any repair firm proposed;
- (d) the Underwriters may take tenders, or may require in writing that tenders be taken for the repair of the Vessel, in which event, upon acceptance of a tender with the approval of the Underwriters, an allowance shall be made at the rate of 30 per cent. per annum on the amount insured, for each day or pro rata for part of a day, for time lost between the issuance of invitations to tender and the acceptance of a tender, to the extent that such time is lost solely as the result of tenders having been taken and provided the tender is accepted without delay after receipt of the Underwriters' approval.

Due credit shall be given against the allowances in (b) and (d) above for any amount recovered:

- 1. in respect of fuel, stores, and wages and maintenance of the Master, Officers or Crew allowed in General or Particular Average;
 - 2. from third parties in respect of damages for detention and/or loss of profit and/or running expenses;
- for the period covered by the allowances or any part thereof.

No claim shall be allowed in Particular Average for wages and maintenance of the Master, Officers or Crew, except when incurred solely for the necessary removal of the Vessel from one port to another for average repairs or for trial trips to test average repairs, in which cases wages and maintenance will be allowed only while the Vessel is under way. This exclusion shall not apply to overtime or similar extraordinary payments to the Master, Officers or Crew incurred in shifting the Vessel for tank cleaning or repairs or while specifically engaged in these activities, either in port or at sea.

General and Particular Average shall be payable without deduction, new for old.

The expense of sighting the bottom after stranding shall be paid, if reasonably incurred especially for that purpose, even if no damage be found.

No claim shall in any case be allowed in respect of scraping or painting the Vessel's bottom.

In the event of loss or damage to equipment or apparatus not owned by the Assured but installed for use on board the Vessel and for which the Assured has assumed responsibility, claim shall not exceed (1) the amount the Underwriters would pay if the Assured were owner of such equipment or apparatus, or (2) the contractual responsibility assumed by the Assured to the owners or lessors thereof, whichever shall be less.

No claim for unrepaired damages shall be allowed, except to the extent that the aggregate damage caused by perils insured against during the period of the Policy and left unrepaired at the expiration of the Policy shall be demonstrated by the Assured to have diminished the actual market value of the Vessel on that date if undamaged by such perils.

GENERAL AVERAGE AND SALVAGE

General Average and Salvage shall be payable as provided in the contract of affreightment, or failing such provision or there be no contract of affreightment, payable at the Assured's election either in accordance with York-Antwerp Rules 1950 or 1974 or with the Laws and Usages of the Port of New York. Provided always that when an adjustment according to the laws and usages of the port of destination is properly demanded by the owners of the cargo, General Average shall be paid accordingly.

In the event of salvage, towage or other assistance being rendered to the Vessel by any vessel belonging in part or in whole to the same Owners or Charterers, the value of such services (without regard to the common ownership or control of the vessels) shall be ascertained by arbitration in the manner provided for under the Collision Liability clause in this Policy, and the amount so awarded so far as applicable to the interest hereby insured shall constitute a charge under this Policy.

When the contributory value of the Vessel is greater than the Agreed Value herein, the liability of the Underwriters for General Average contribution (except in respect to amounts made good to the Vessel), or Salvage, shall not exceed that proportion of the total contribution due from the Vessel which the amount insured hereunder bears to the contributory value, and if, because of damage for which the Underwriters are liable as Particular Average, the value of the Vessel has been reduced for the purpose of contribution, the amount of such Particular Average damage recoverable under this Policy shall first be deducted from the amount insured hereunder, and the Underwriters shall then be liable only for the proportion which such net amount bears to the contributory value.

TOTAL LOSS

In ascertaining whether the Vessel is a constructive Total Loss the Agreed Value shall be taken as the repaired value and nothing in respect of the damaged or break-up value of the Vessel or wreck shall be taken into account.

There shall be no recovery for a constructive Total Loss hereunder unless the expense of recovering and repairing the Vessel would exceed the Agreed Value. In making this determination, only expenses incurred or to be incurred by reason of a single accident or a sequence of damages arising from the same accident shall be taken into account, but expenses incurred prior to tender of abandonment shall not be considered if such are to be claimed separately under the Sue and Labor clause.

In the event of Total Loss (actual or constructive), no claim to be made by the Underwriters for freight, whether notice of abandonment has been given or not.

In no case shall the Underwriters be liable for unrepaired damage in addition to a subsequent Total Loss sustained during the period covered by this Policy.

SUE AND LABOR

And in case of any Loss or Misfortune, it shall be lawful and necessary for the Assured, their Factors, Servants and Assigns, to sue, labor and travel for, in and about the defense, safeguard and recovery of the Vessel, or any part thereof, without prejudice to this insurance, to the charges whereof the Underwriters will contribute their proportion as provided below. And it is expressly declared and agreed that no acts of the Underwriters or Assured in recovering, saving or preserving the Vessel shall be considered as a waiver or acceptance of abandonment.

In the event of expenditure under the Sue and Labor clause, the Underwriters shall pay the proportion of such expenses that the amount insured hereunder bears to the Agreed Value, or that the amount insured hereunder (less loss and/or damage payable under this Policy) bears to the actual value of the salvaged property, whichever proportion shall be less; provided always that their liability for such expenses shall not exceed their proportionate part of the Agreed Value.

If claim for Total Loss is admitted under this Policy and sue and labor expenses have been reasonably incurred in excess of any proceeds realized or value recovered, the amount payable under this Policy will be the proportion of such excess that the amount insured hereunder (without deduction for loss or damage) bears to the Agreed Value or to the sound value of the Vessel at the time of the accident, whichever value was greater; provided always that Underwriters' liability for such expenses shall not exceed their proportionate part of the Agreed Value. The foregoing shall also apply to expenses reasonably incurred in saving or attempting to save the Vessel and other property to the extent that such expenses shall be regarded as having been incurred in respect of the Vessel.

COLLISION LIABILITY

And it is further agreed that:

(a) if the Vessel shall come into collision with any other ship or vessel, and the Assured or the Surety in consequence of the Vessel being at fault shall become liable to pay and shall pay by way of damages to any other person or persons any sum or sums in respect of such collision, the Underwriters will pay the Assured or the Surety, whichever shall have paid, such proportion of such sum or sums so paid as their respective subscriptions hereto bear to the Agreed Value, provided always that their liability in respect to any one such collision shall not exceed their proportionate part of the Agreed Value;

(b) in cases where, with the consent in writing of a majority (in amount) of Hull Underwriters, the liability of the Vessel has been contested, or proceedings have been taken to limit liability, the Underwriters will also pay a like proportion of the costs which the Assured shall thereby incur or be compelled to pay.

When both vessels are to blame, then, unless the liability of the owners or charterers of one or both such vessels becomes limited by law, claims under the Collision Liability clause shall be settled on the principle of Cross-Liabilities as if the owners or charterers of each vessel had been compelled to pay to the owners or charterers of the other of such vessels such one-half or other proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Assured in consequence of such collision.

The principles involved in this clause shall apply to the case where both vessels are the property, in part or in whole, of the same owners or charterers, all questions of responsibility and amount of liability as between the two vessels being left to the decision of a single Arbitrator, if the parties can agree upon a single Arbitrator, or failing such agreement, to the decision of Arbitrators, one to be appointed by the Assured and one to be appointed by the majority (in amount) of Hull Underwriters interested; the two Arbitrators chosen to choose a third Arbitrator before entering upon the reference, and the decision of such single Arbitrator, or of any two of such three Arbitrators, appointed as above, to be final and binding.

Provided always that this clause shall in no case extend to any sum which the Assured or the Surety may become liable to pay or shall pay in consequence of, or with respect to:

- (a) removal or disposal of obstructions, wrecks or their cargoes under statutory powers or otherwise pursuant to law;
- (b) injury to real or personal property of every description;
- (c) the discharge, spillage, emission or leakage of oil, petroleum products, chemicals or other substances of any kind or description whatsoever;
- (d) cargo or other property on or the engagements of the Vessel;
- (e) loss of life, personal injury or illness.

Provided further that exclusions (b) and (c) above shall not apply to injury to other vessels or property thereon except to the extent that such injury arises out of any action taken to avoid, minimize or remove any discharge, spillage, emission or leakage described in (c) above.

PILOTAGE AND TOWAGE

This insurance shall not be prejudiced by reason of any contract limiting in whole or in part the liability of pilots, tugs, towboats, or their owners when the Assured or the agent of the Assured accepts such contract in accordance with established local practice.

Where in accordance with such practice, pilotage or towage services are provided under contracts requiring the Assured or the agent of the Assured:

- (a) to assume liability for damage resulting from collision of the Vessel insured with any other ship or vessel, including the towing vessel, or
 - (b) to indemnify those providing the pilotage or towage services against loss or liability for any such damages,
- it is agreed that amounts paid by the Assured or Surety pursuant to such assumed obligations shall be deemed payments "by way of damages to any other person or persons" and to have been paid "in consequence of the Vessel being at fault" within the meaning of the Collision Liability clause in this Policy to the extent that such payments would have been covered if the Vessel had been legally responsible in the absence of any agreement. Provided always that in no event shall the aggregate amount of liability of the Underwriters under the Collision Liability clause, including this clause, be greater than the amount of any statutory limitation of liability to which owners are entitled or would be entitled if liability under any contractual obligation referred to in this clause were included among the liabilities subject to such statutory limitations.

CHANGE OF OWNERSHIP

In the event of any change, voluntary or otherwise, in the ownership or flag of the Vessel, or if the Vessel be placed under new management, or be chartered on a bareboat basis or requisitioned on that basis, or if the Classification Society of the Vessel or her class therein be changed, cancelled or withdrawn, then, unless the Underwriters agree thereto in writing, this Policy shall automatically terminate at the time of such change of ownership, flag, management, charter, requisition or classification; provided, however, that:

- (a) if the Vessel has cargo on board and has already sailed from her loading port, or is at sea in ballast, such automatic termination shall, if required, be deferred until arrival at final port of discharge if with cargo, or at port of destination if in ballast;
- (b) in the event of an involuntary temporary transfer by requisition or otherwise, without the prior execution of a written agreement by the Assured, such automatic termination shall occur fifteen days after such transfer.

This insurance shall not inure to the benefit of any transferee or charterer of the Vessel and, if a loss payable hereunder should occur between the time of change or transfer and any deferred automatic termination, the Underwriters shall be subrogated to all of the rights of the Assured against the transferee or charterer in respect of all or part of such loss as is recoverable from the transferee or charterer, and in the proportion which the amount insured hereunder bears to the Agreed Value.

The term "new management" as used above refers only to the transfer of the management of the Vessel from one firm of corporation to another, and it shall not apply to any internal changes within the offices of the Assured.

ADDITIONAL INSURANCES

It is a condition of this Policy that no additional insurance against the risk of Total Loss of the Vessel shall be effected to operate during the currency of this Policy by or for account of the Assured, Owners, Managers, Operators or Mortgagees except on the interests and up to the amounts enumerated in the following Sections (a) to (g), inclusive, and no such insurance shall be subject to P.P.I., F.I.A. or other like term on any interests whatever excepting those enumerated in Section (a); provided always and notwithstanding the limitation on recovery in the Assured clause a breach of this condition shall not afford the Underwriters any defense to a claim by a Mortgagee who has accepted this Policy without knowledge of such breach:

- (a) DISBURSEMENTS, MANAGERS' COMMISSIONS, PROFITS OR EXCESS OR INCREASED VALUE OF HULL AND MACHINERY, AND/OR SIMILAR INTERESTS HOWEVER DESCRIBED, AND FREIGHT (INCLUDING CHARTERED FREIGHT OR ANTICIPATED FREIGHT) INSURED FOR TIME. An amount not exceeding the aggregate 25% of the Agreed Value.
- (b) FREIGHT OR HIRE, UNDER CONTRACTS FOR VOYAGE. An amount not exceeding the gross freight or hire for the current cargo passage and next succeeding cargo passage (such insurance to include, if required, a preliminary and an intermediate ballast passage) plus the charges of insurance. In the case of a voyage charter where payment is made on a time basis, the amount shall be calculated on the estimated duration of the voyage, subject to the limitation of two cargo passages as laid down herein. Any amount permitted under this Section shall be reduced, as the freight or hire is earned, by the gross amount so earned. Any freight or hire to be earned under the form of Charters described in (d) below shall not be permitted under this Section (b) if any part thereof is insured as permitted under said Section (d).
- (c) ANTICIPATED FREIGHT IF THE VESSEL SAILS IN BALLAST AND NOT UNDER CHARTER. An amount not exceeding the anticipated gross freight on next cargo passage, such amount to be reasonably estimated on the basis of the current rate of freight at time of insurance, plus the charges of insurance. Provided, however, that no insurance shall be permitted by this Section if any insurance is effected as permitted under Section (b).
- (d) TIME CHARTER HIRE OR CHARTER HIRE FOR SERIES OF VOYAGES. An amount not exceeding 50% of the gross hire which is to be earned under the charter in a period not exceeding 18 months. Any amount permitted under this Section shall be reduced as the hire is earned under the charter by 50% of the gross amount so earned but, where the charter is for a period exceeding 18 months, the amount insured need not be reduced while it does not exceed 50% of the gross hire still to be earned under the charter. An insurance permitted by this Section may begin on the signing of the charter.
- (e) PREMIUMS. An amount not exceeding the actual premiums of all interest insured for a period not exceeding 12 months (excluding premiums insured as permitted under the foregoing Sections but including, if required, the premium or estimated calls on any Protection and Indemnity or War Risks and Strikes insurance) reducing pro rata monthly.
- (f) RETURNS OF PREMIUM. An amount not exceeding the actual returns which are recoverable subject to "and arrival" or equivalent provision under any policy of insurance.
- (g) INSURANCE IRRESPECTIVE OF AMOUNT AGAINST: Risks excluded by War, Strikes and Related Exclusions clause; risks enumerated in the American Institute War Risks and Strikes Clauses; and General Average and Salvage Disbursements.

WAR STRIKES AND RELATED EXCLUSIONS

The following conditions shall be paramount and shall supersede and nullify any contrary provisions of the Policy.

This Policy does not cover any loss, damage or expense caused by, resulting from, or incurred as a consequence of:

- (a) Capture, seizure, arrest, restraint or detention, or any attempt thereof; or
- (b) Any taking of the Vessel, by requisition or otherwise, whether in time of peace or war and whether lawful or otherwise; or
- (c) Any mine, bomb or torpedo not carried as cargo on board the Vessel; or
- (d) Any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter; or
- (e) Civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or piracy; or
- (f) Strikes, lockouts, political or labor disturbances, civil commotions, riots, martial law, military or usurped power; or
- (g) Malicious acts or vandalism, unless committed by the Master or Mariners and not excluded elsewhere under this War Strikes and Related Exclusions clause; or
- (h) Hostilities or warlike operations (whether there be a declaration of war or not) but this subparagraph (h) not to exclude collision or contact with aircraft, rockets or similar missiles, or with any fixed or floating object, or stranding, heavy weather, fire or explosion unless caused directly by a hostile act by or against a belligerent power which act is independent of the nature of the voyage or service which the Vessel concerned or, in the case of a collision, any other vessel involved therein, is performing. As used herein, "power" includes any authority maintaining, naval, military or air forces in association with a power.

If war risks or other risks excluded by this clause are hereafter insured by endorsement on this Policy, such endorsement shall supersede the above conditions only to the extent that the terms of such endorsement are inconsistent therewith and only while such endorsement remains in force.

American Institute
TUG FORM
 (August 1, 1976)

53R-1

To be attached to and form a part of Policy No. _____
 of the _____

The terms and conditions of the following clauses are to be regarded as substituted for those of the policy form to which they are attached, the latter being hereby waived, except provisions required by law to be inserted in the Policy. All captions are inserted only for purposes of reference, and shall not be used to interpret the clauses to which they apply.

ASSURED

This Policy insures _____ hereinafter referred to as the Assured. 1

if claim is made under this Policy by anyone other than the Owner of the Vessel, such person shall not be entitled to recover to a greater extent than would the Owner, had claim been made by the Owner as an Assured named in this Policy. 2

Underwriters waive any right of subrogation against affiliated, subsidiary or interrelated companies of the Assured, provided that such waiver shall not apply in the event of a collision between the Vessel and any vessel owned, demise chartered or otherwise controlled by any of the aforesaid companies, or with respect to any loss, damage or expense against which such companies are insured. 3

LOSS PAYEE

Loss, if any, (excepting claims required to be paid to others under the Collision and Towner's Liability Clause), payable to _____ 4
 _____ 5
 _____ or order. 6

VESSEL

The Subject Matter of this insurance is the Vessel called the _____ hereinafter referred to as the Vessel. 7
 or by whatsoever name or names the said Vessel is or shall be called, which for purposes of this insurance shall consist of and be limited to her hull, 8
 launches, lifeboats, rafts, furniture, bunkers, stores, supplies, tackle, fittings, equipment, apparatus, machinery, boilers, refrigerating machinery, insulation, 9
 motor generators and other electrical machinery. 10

In the event any equipment or apparatus not owned by the Assured is installed for use on board the Vessel and the Assured has assumed responsibility therefor, it shall also be considered part of the Subject Matter and the aggregate value thereof shall be included in the Agreed Value. 11

In the event that more than one vessel is insured by this Policy, all of these clauses shall apply as though a separate policy had been issued with respect to each vessel. 12

TRADING WARRANTY

Warranted that the Vessel shall be confined to _____ 13
 _____ 14

Any breach of the Trading Warranty specified in this Policy shall result in a suspension thereof, provided, however, that on the return of the Vessel in a seaworthy condition to within the limit stated in the said Trading Warranty this Policy shall re-attach and continue in full force and effect but in no event beyond the normal expiry thereof. 15

DURATION OF RISK

From the _____ day of _____ 19____ time _____ 16
 to the _____ day of _____ 19____ time _____ 17

Should the Vessel at the expiration of this Policy be at sea, or in distress, or at a port of refuge or of call, she shall, provided previous notice be given to the Underwriter, be held covered at a pro rata monthly premium to her port of destination. 18

In the event of payment by the Underwriters for Total Loss of the Vessel this Policy shall thereupon automatically terminate. 19

AGREED VALUE

The Vessel, for so much as concerns the Assured, by agreement between the Assured and Underwriters in this Policy, is and shall be valued at _____ Dollars. 20

AMOUNT INSURED HEREUNDER

_____ Dollars. 21

PREMIUM

The Underwriters to be paid in consideration of this insurance _____ Dollars being at the rate of _____ per cent., 22
 which premium shall be due on attachment. 23

DEDUCTIBLE

Notwithstanding anything in this Policy to the contrary, there shall be deducted from the aggregate of all claims (including claims under the Sue and Labor Clause and claims under the Collision and Towner's Liability Clause) arising out of each separate accident, the sum of \$ _____ unless the accident results in a Total Loss of the Vessel in which case this clause shall not apply to the claim for the Total Loss of the Vessel and to claims under the Sue and Labor clause. A recovery from other interests, however, shall not operate to exclude claims under this Policy provided the aggregate of such claims arising out of one separate accident if unreduced by such recovery exceeds that sum. For the purpose of this clause each accident shall be treated separately, but it is agreed that (a) a sequence of damages arising from the same accident shall be treated as due to that accident and (b) all heavy weather damage which occurs during a single sea passage between two successive ports shall be treated as though due to one accident. 24

RETURNS OF PREMIUM

Premium returnable as follows: 25
 pro rata daily in the event of termination under the Change of Ownership clause; 26
 pro rata daily if this Policy be cancelled by the Underwriters; 27
 short rate will be charged if this Policy be cancelled by the Assured; 28
 _____ cents per cent., for each period of 30 consecutive days the Vessel may be laid up in port not under repair; 29

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provided always that: 48

- (a) from all return premiums the same percentage of deduction (if any) shall be made as was allowed by the Underwriters on receipt of the original premium; 49
- (b) a Total Loss of the Vessel has not occurred during the currency of this Policy; 50
- (c) in no case shall a return for lay-up be allowed when the Vessel is lying in exposed or unprotected waters or in any location not approved by the Underwriters; 51
- (d) in the event of any amendment of the annual rate, the above rates of return shall be adjusted accordingly. 52

If the Vessel is laid up for a period of 30 consecutive days, a part only of which attaches under this Policy, the Underwriters shall pay such proportion of the return due in respect of a full period of 30 days as the number of days attaching hereto bears to 30. Should the lay-up period exceed 30 consecutive days, the Assured shall have the option to elect the period of 30 consecutive days for which a return is recoverable. 53

CANCELLATION

This Policy may be cancelled either by the Underwriters or by the Assured giving 15 days' written or telegraphic notice to the other. Underwriters' notice may be sent to the Assured's last known address or in care of the Broker who negotiated this Policy. In the event of Total Loss of the Vessel occurring prior to any cancellation or termination of this Policy, full annual premium shall be considered earned. 54

ADVENTURE

Beginning the adventure upon the Vessel, as above, and so shall continue and endure during the period aforesaid, subject to all the terms, conditions and warranties of this Policy, as employment may offer, in port or at sea, in docks and graving docks, and on ways, gridirons and pontoons, at all times, in all places, and on all occasions. 55

PERILS

Touching the Adventures and Perils which the Underwriters are contented to bear and take upon themselves, they are of the Waters named herein, Fire, Lightning, Earthquake, Assailing Thieves, Jettisons, Barratry of the Master and Mariners and all other like Perils that shall come to the Hurt, Detriment or Damage of the Vessel. 56

ADDITIONAL PERILS (INCHMAREE)

Subject to the conditions of this Policy, this insurance also covers loss of or damage to the Vessel directly caused by the following: 57

- Accidents in loading, discharging or handling cargo, or in bunkering; 58
- Accidents in going on or off, or while on drydocks, graving docks, ways, gridirons or pontoons; 59
- Explosions on shipboard or elsewhere; 60
- Breakdown of motor generators or other electrical machinery and electrical connections thereto, bursting of boilers, breakage of shafts, or any latent defect in the machinery or hull, (excluding the cost and expense of replacing or repairing the defective part); 61
- Breakdown of or accidents to nuclear installations or reactors not on board the insured Vessel; 62
- Contact with aircraft, rockets or similar missiles, or with any land conveyance; 63
- Negligence of Charterers and/or Repairers, provided such Charterers and/or Repairers are not an Assured hereunder; 64
- Negligence of Masters, Officers, Crew or Pilots; 65

provided such loss or damage has not resulted from want of due diligence by the Assured, the Owners or Managers of the Vessel, or any of them. 66

COLLISION AND TOWER'S LIABILITY

And it is further agreed that: 67

- (a) if the Vessel hereby insured shall come into collision with any other vessel, craft or structure, floating or otherwise (including her tow); or shall strand her tow or shall cause her tow to come into collision with any other vessel, craft or structure, floating or otherwise, or shall cause any other loss or damage to her tow or to the freight thereof or to the property on board, and the Assured, or the Surety, in consequence of the insured Vessel being at fault, shall become liable to pay and shall pay by way of damages to any other person or persons any sum or sums, we, the Underwriters, will pay the Assured or the Surety, whichever shall have paid, such proportion of such sum or sums so paid as our subscriptions hereto bear to the value of the Vessel hereby insured, provided always that our liability in respect of any one such casualty shall not exceed our proportionate part of the value of the Vessel hereby insured; 68
- (b) in cases where the liability of the Vessel has been contested or proceedings have been taken to limit liability with the consent in writing, of a majority (in amount) of the Underwriters on the hull and machinery, we will also pay a like proportion of the costs which the Assured shall thereby incur or be compelled to pay. 69

When both vessels are to blame, then, unless the liability of the Owners of one or both of such vessels becomes limited by law, claims under the Collision and Tower's Liability clause shall be settled on the principle of Cross-Liabilities, as if the Owners of each vessel had been compelled to pay to the Owners of the other of such vessels such one-half or other proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Assured in consequence of such casualty. 70

It is hereby further agreed that the principles involved in this clause shall apply to the case where two or more of the vessels involved are the property, in part or in whole, of the same Assured, all questions of responsibility and amount of liability as between such Vessels being left to the decision of a single Arbitrator, if the parties can agree upon a single Arbitrator, or failing such agreement, to the decision of Arbitrators, one to be appointed by the Assured and one to be appointed by a majority (in amount) of the Underwriters on hull and machinery; the two Arbitrators so chosen to choose a third Arbitrator before entering upon the reference, and the decision of such single Arbitrator, or of any two of such three Arbitrators, appointed as above, to be final and binding. 71

Provided always that this Collision and Tower's Liability clause shall in no case extend to any sum which the Assured or the Surety may become liable to pay, or shall pay: 72

- I. for loss, damage or expense to vessel(s) in tow owned (other than vessel(s) bareboat chartered to others), bareboat chartered, managed or operated by the Assured and/or its affiliated and/or subsidiary companies and/or corporations, and to cargo, owned by the Assured and/or its affiliated and/or subsidiary companies and/or corporations, on board vessel(s) in tow of the Vessel hereby insured; or 73
- II. in consequence of, with respect to, or arising out of: 74

 - (a) removal or disposal of obstructions, wrecks or their cargoes under statutory powers or otherwise pursuant to law; 75
 - (b) cargo, baggage or engagements of the insured Vessel 76
 - (c) loss of life, personal injury or illness; 77
 - (d) the discharge, spillage, emission or leakage of oil, petroleum products, chemicals or other substances of any kind or description whatsoever. 78

Provided, further that Exclusion II(d) shall not apply to actual physical loss of or damage to such substances (if liability therefore is otherwise covered under the attached Policy) except to the extent that such loss or damage arises out of any action taken to avoid, minimize or remove any discharge, spillage, emission or leakage described in Exclusion II(d). 79

GENERAL AVERAGE

General Average and Salvage shall be payable in accordance with the laws and usages of the port of New York, but excluding wages, provisions, fuel and engine stores during detention however caused.

And it is further agreed that in the event of salvage, towage or other assistance being rendered to the Vessel hereby insured by any vessel belonging in part or in whole to the same owners or charterers, the value of such services (without regard to the common ownership or control of the vessels) shall be ascertained by arbitration in the manner above provided for under the Collision and Tower's Liability clause, and the amount so awarded so far as applicable to the interest hereby insured shall constitute a charge under this Policy.

When the contributory value of the Vessel is greater than the Agreed Value herein, the liability of the Underwriters for General Average contribution (except in respect to amounts made good to the Vessel, or Salvage, shall not exceed that proportion of the total contribution due from the Vessel which the amount insured hereunder bears to the contributory value; and if, because of damage for which the Underwriters are liable as Particular Average, the value of the Vessel has been reduced for the purpose of contribution, the amount of such Particular Average damage recoverable under this Policy shall first be deducted from the amount insured hereunder, and the Underwriters shall then be liable only for the proportion which such net amount bears to the contributory value.

SUE AND LABOR

And in case of any loss or Misfortune, it shall be lawful and necessary for the Assured, their Factors, Servants and Assigns, to sue, labor and travel for, in, and about the defense, safeguard and recovery of the Vessel, or any part thereof, without prejudice to this insurance, to the charges whereof the Underwriters will contribute their proportion as provided below. And it is expressly declared and agreed that no acts of the Underwriters or Assured in recovering, saving or preserving the Vessel shall be considered as a waiver or acceptance of abandonment.

In the event of expenditure under the Sue and Labor clause, the Underwriters shall pay the proportion of such expenses that the amount insured hereunder bears to the Agreed Value, or that the amount insured hereunder (less loss and/or damage payable under this Policy) bears to the actual value of the salvaged property, whichever proportion shall be less; provided always that their liability for such expenses shall not exceed their proportionate part of the Agreed Value.

If claim for Total Loss is admitted under this Policy and sue and labor expenses have been reasonably incurred in excess of any proceeds realized or value recovered, the amount payable under this Policy will be the proportion of such excess that the amount insured hereunder (without deduction for loss or damage) bears to the Agreed Value or to the sound value of the Vessel at the time of the accident, whichever value was greater; provided always that Underwriters' liability for such expenses shall not exceed their proportionate part of the Agreed Value. The foregoing shall also apply to expenses reasonably incurred in salvaging or attempting to save the Vessel and other property to the extent that such expenses shall be regarded as having been incurred in respect of the Vessel.

SEAWORTHINESS

The Underwriters shall not be liable for any loss, damage or expense arising out of the failure of the Assured to exercise due diligence to maintain the Vessel in a seaworthy condition after attachment of this Policy; the foregoing, however, not to be deemed a waiver of any warranty of seaworthiness implied at law.

WATCHMAN

It is agreed that when this Vessel is tied up or moored, it shall be at all times in charge of a watchman in the employ of the Assured, whose duty it shall be to make careful examination of the Vessel throughout at reasonable intervals, including inspection of the bilges.

CHANGE OF OWNERSHIP

In the event of any change, voluntary or otherwise, in the ownership or flag of the Vessel, or if the Vessel be placed under new management, or be chartered on a bareboat basis or requisitioned on that basis, or if the Classification Society of the Vessel or her class therein be changed, cancelled or withdrawn, then, unless the Underwriters agree thereto in writing, this Policy shall automatically terminate at the time of such change of ownership, flag, management, charter, requisition or classification; provided, however, that in the event of an involuntary temporary transfer by requisition or otherwise, without the prior execution of a written agreement by the Assured, such automatic termination shall occur fifteen days after such transfer. This insurance shall not inure to the benefit of any transferee or charterer of the Vessel and, if a loss payable hereunder should occur between the time of change or transfer and any deferred automatic termination, the Underwriters shall be subrogated to all of the rights of the Assured against the transferee or charterer in respect of all or part of such loss as is recoverable from the transferee or charterer, and in the proportion which the amount insured hereunder bears to the Agreed Value.

The term "new management" as used above refers only to the transfer of the management of the Vessel from one firm or corporation to another, and it shall not apply to any internal changes within the offices of the Assured.

ADDITIONAL SERVICES

It is a condition of this Policy that there shall be no other insurance against physical loss of or damage to the Vessel for or on account of the Assured except that the Assured may, without prejudice to this insurance, insure:

(a) War, Strikes and related risks not covered by this Policy;

(b) Risks identical to those covered by this Policy for the difference in amount, if any, between the "AMOUNT INSURED HEREUNDER" and the "AGREED VALUE";

provided that any breach of the above condition shall not afford the Underwriters any defense to a claim by a mortgagee who has accepted this Policy without knowledge of such breach.

CLAIMS (GENERAL PROVISIONS)

In the event of any accident or occurrence which could give rise to a claim under this Policy, prompt notice thereof shall be given to the Underwriters, and:

(a) where practicable, the Underwriters shall be advised prior to survey, so that they may appoint their own surveyor, if they so desire;

(b) the Underwriters shall be entitled to decide where the Vessel shall proceed for docking and/or repair (allowance to be made to the Assured for the actual additional expense of the voyage arising from compliance with the Underwriters' requirement);

(c) the Underwriters shall have the right of veto in connection with any repair firm proposed;

(d) the Underwriters may take tenders or may require tenders to be taken for the repair of the Vessel, in which event, upon acceptance of a tender with the approval of the Underwriters, an allowance shall be made at the rate of 30 per cent, per annum on the amount insured, for each day or pro rata for part of a day, for time lost between the issuance of invitations to tender and the acceptance of a tender, to the extent that such time is lost solely as the result of tenders having been taken and provided the tender is accepted without delay after receipt of the Underwriters' approval.

Due credit shall be given against the allowances in (b) and (d) above for any amount recovered:

(1) in respect of fuel, stores, and wages and maintenance of the Master, Officers and Crew members allowed in General or Particular Average;

(2) from third parties in respect of damages for detention and/or loss of profit and/or running expenses; for the period covered by the allowances or any parts thereof.

No claim shall be allowed in Particular Average for wages and maintenance of the Master, Officers and Crew, except when incurred solely for the necessary removal of the Vessel from one port to another for average repairs or for trial trips to test average repairs, in which cases wages and maintenance will be allowed only while the vessel is under way.

General and Particular Average shall be payable without deduction, new for old.

The expense of sighting the bottom after stranding shall be paid, if reasonably incurred especially for that purpose, even if no damage be found.

No claim shall in any case be allowed in respect of scraping or painting the Vessel's bottom.

In the event of loss or damage to equipment or apparatus not owned by the Assured but installed for use on board the Vessel and for which the Assured has assumed responsibility, claim shall not exceed (1) the amount the Underwriters would pay if the Assured were owner of such equipment or apparatus, or (2) the contractual responsibility assumed by the Assured to the owners or lessors thereof, whichever shall be less.

No claim for unrepaired damage shall be allowed, except to the extent that the aggregate damage caused by perils insured against during the period of this Policy and left unrepaired at the expiration thereof shall be demonstrated by the Assured to have diminished the actual market value of the Vessel on that date if undamaged by such perils.

TOTAL LOSS

There shall be no recovery for a constructive Total Loss hereunder unless the expense of recovering and repairing the Vessel would exceed the Agreed Value. In making this determination, only expenses incurred or to be incurred by reason of a single accident or a sequence of damages arising from the same accident shall be taken into account, but expenses incurred prior to tender of abandonment shall not be considered if such are to be claimed separately under the Sue and Labor clause.

In ascertaining whether the Vessel is a constructive Total Loss the Agreed Value shall be taken as the repaired value and nothing in respect of the damaged or break-up value of the Vessel or wreck shall be taken into account.

In the event of Total Loss (actual or constructive), no claim to be made by the Underwriters for freight, whether notice of abandonment has been given or not.

In no case shall the Underwriters be liable for unrepaired damage in addition to a subsequent Total Loss sustained during the period covered by this Policy.

SUBROGATION

Upon making any payment under this Policy the Underwriters shall be vested with all of the Assured's rights of recovery against any person, corporation, vessel or interest, and the Assured shall execute and deliver such instruments and papers as the Underwriters shall require and do whatever else is necessary to secure such rights at the time of payment or subsequent thereto. At the option of the Underwriters, such payment may be made by means of a loan receipt repayable only out of any recovery made by the Underwriters as aforesaid. Such loan receipt shall be in the customary form permitting Underwriters to bring suit in the name of the Assured or the Underwriters at the latter's own cost and expense.

Any agreement, contract or act, past or future, express or implied, by the Assured whereby any right of recovery of the Assured against any person, corporation, vessel or interest is released, decreased, transferred or lost which would, on payment of claim by the Underwriters, belong to the Underwriters but for such agreement, contract or act shall render this Policy null and void as to the amount of any such claim, but only to the extent and to the amount that said agreement, contract or act releases, decreases, transfers, or causes the loss of any right or recovery of the Underwriters, but the Underwriters' right to retain or recover the full premium shall not be affected.

LITIGATION AND DEFENSE

The Underwriters shall have the option of naming the attorneys who shall represent the Assured in the prosecution or defense of any litigation or negotiations between the Assured and third parties concerning any claim, loss or interest covered by this Policy, and the Underwriters shall have the direction of such litigation or negotiations. If the Assured shall fail or refuse to settle any claim as authorized by the Underwriters, the liability of the Underwriters to the Assured shall be limited to the amount for which settlement could have been made.

No suit, action or proceedings brought by the Assured against the Underwriters for the recovery of any claim under this Policy shall be sustainable in any court of law or equity unless the same be commenced within twelve (12) months after the Underwriters have denied liability for payment of claim; except that in the case of a claim arising under the Collision and Towing's Liability clause, no suit or action shall be sustainable unless brought within twelve (12) months next after the Assured shall have discharged his liability. Provided, however, that if by the laws of the State within which this Policy is issued such limitation is invalid, then any such claim shall be void unless such action, suit or proceeding be commenced within the shortest limit of time permitted by the laws of such State.

WAR, STRIKES AND RELATED EXCLUSIONS

The following conditions shall be paramount and shall supersede and nullify any contrary provisions of the Policy.

This Policy does not cover any loss, damage or expense caused by, resulting from, or incurred as a consequence of:

- (a) Capture, seizure, arrest, restraint or detainment, or any attempt thereof; or
- (b) Any taking of the Vessel, by requisition or otherwise, whether in time of peace or war and whether lawful or otherwise; or
- (c) Any mine, bomb or torpedo not carried as cargo on board the Vessel; or
- (d) Any weapon of war employing atomic or nuclear fission and/or fusion or other reaction or radioactive force or matter; or
- (e) Civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or piracy; or
- (f) Strikes, lockouts, political or labor disturbances, civil commotions, riots, martial law, military or usurped power, malicious acts or vandalism; or
- (g) Hostilities or warlike operations (whether there be a declaration of war or not) but this subparagraph (g) not to exclude collision or contact with aircraft, rockets or similar missiles, or with any fixed or floating object, or stranding, heavy weather, fire or explosion unless caused directly by a hostile act by or against a belligerent power which act is independent of the nature of the voyage or service which the Vessel concerned or, in the case of a collision, any other vessel involved therein, is performing. As used herein, "power" includes any authority maintaining naval, military or air forces in association with a power.

If war risks or other risks excluded by this clause are hereafter insured by endorsement on this Policy, such endorsement shall supersede the above conditions only to the extent that the terms of such endorsement are inconsistent therewith and only while such endorsement remains in force.

1/11/92

INSTITUTE SERVICE OF SUIT CLAUSE (U.S.A.)

It is agreed that in the event of the failure of the Underwriters severally subscribing this insurance (the Underwriters) to pay any amount claimed to be due hereunder, the Underwriters, at the request of the Assured, will submit to the jurisdiction of a court of competent jurisdiction within the United States of America.

Notwithstanding any provision elsewhere in this insurance relating to jurisdiction, it is agreed that the Underwriters have the right to commence an action in any court of competent jurisdiction in the United States of America, and nothing in this clause constitutes or should be understood to constitute a waiver of the Underwriters' rights to remove an action to a United States Federal District Court or to seek remand therefrom or to seek a transfer of any suit to any other court of competent jurisdiction as permitted by the laws of the United States of America or any state therein.

Subject to the Underwriters' rights set forth above:

- (a) It is further agreed that the Assured may serve process upon any senior partner in the firm of:

Mendes & Mount (Attorneys), 750 Seventh Avenue, New York, N.Y. 10019-6829

and that in any suit instituted against any one of them upon this contract the Underwriters will abide by the final decision of the Court or of any Appellate Court in the event of an appeal.

- (b) The above-named are authorized and directed to accept service of process on behalf of Underwriters in any such suit and/or upon the request of the Assured to give a written undertaking to the Assured that they will enter a general appearance upon the Underwriters' behalf in the event such a suit shall be instituted.
- (c) The right of the Assured to bring suit as provided herein shall be limited to a suit brought in its own name and for its own account; For the purpose of suit as herein provided the word Assured includes any mortgagee under a ship mortgage which is specifically named as a loss payee in this insurance and any person succeeding to the rights of any such mortgagee.
- (d) Further, pursuant to any statute of any state, territory or district of the United States of America which makes provision therefor, Underwriters hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office (the Officer), as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Assured or any beneficiary hereunder arising out of this contract of insurance, and hereby designate the above-named as the person to whom the Officer is authorized to mail such process or a true copy thereof.

If this clause is attached to a contract of reinsurance the terms insurance and Assured shall mean reinsurance and Reassured respectively.

CL. 355 Sold by Witherby & Co. Ltd., London

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